Kopanong Local Municipality
Annual Financial Statements
for the year ended 30 June 2016

I am responsible for the preparation of these financial statements, which are set out on page 2 to 67, in terms of Section 126(1) of the Municipal Finance Management Act No. 56 of 2003 and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors as disclosed in note 29 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of Republic of South Africa, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municpal services as set in the Constitution
Municipal Demacation code	FS 162
Grading of local authority	3
Mayoral committee	
Executive Mayor	Matwa X T
	Speaker
	Masana ME
	Chief Whip
	Dlomo LK
Councillors	
	Basholo PD
	Hageman HM
	Koyana T
	Matseo MD
	Phafudi TA
	Phepheng D
	Rigala LA
	Shebe H
	Smit B
	Sola SA
	Spogter NC
	Stuurman NI
Accounting Officer	Mrs. LY Moletsane
Chief Finance Officer (CFO)	MJ Mekhoe
Registered office	20 Louw Street Trompsburg 9913
Postal address	Private Bag X23 Trompsburg 9913
Bankers	First National Bank
Auditors	Auditor General of South Africa Supreme Audit Institution of South Africa
Attorneys	Mohlokonya Attorneys Maduba Attorneys

General Information

Relevant Legislation	Basic Conditions of Employment Act (Act no. 75 of 1997) Division of Revenue Act Electricity Act (Act no. 41 of 1987) Employment Equity Act (Act. no. 55 of 1998) Housing Act (Act no. 107 of 1997) Income Tax Act (Act no 58 of 1962) Municipal Finance Management Act (Act no. 56 of 2003) Municipal Planning and Performance Management Regulations Municipal Property Rates Act (Act no. 6 of 2004) Municipal Structure Act (Act no. 117 of 1998) Skills Development Levies Act (Act no. 9 of 1999) South African Local Bargaining Council Regulations Supply Chain Management Regulation of 2005 Unemployment Insurance Act (Act no. 30 of 1996) Value Added Tax Act (Act no. 89 of 1991) Water Services Act (Act no. 108 of 1997)

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The annual financial statements set out on pages 5 to 67, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

Accounting Officer **LY Moletsane**	**31 August 2016**

Statement of Financial Position as at 30 June 2016

	Note(s)	2016 R	2015 R
Assets			
Current Assets			
Inventories	5	79 858	176 249
Other Receivables from exchange transactions	6	1 548 806	720 712
Receivables from non-exchange transactions	7	4 390 490	1 766 009
VAT receivable	8	10 734 764	5 486 709
Receivables from exchange transactions	9	8 307 835	26 963 746
Cash and cash equivalents	10	912 567	3 099 828
		25 974 320	**38 213 253**
Non-Current Assets			
Property, plant and equipment	3	949 926 459	978 092 034
Non-Current Assets		949 926 459	978 092 034
Current Assets		25 974 320	38 213 253
Total Assets		**975 900 779**	**1 016 305 287**
Liabilities			
Current Liabilities			
Long-term liabilities	12	179 928	212 166
Trade and Other Payables from exchange transactions	14	237 651 406	173 038 840
Consumer deposits	15	3 102 602	3 064 401
Unspent conditional grants and receipts	11	3 716 902	6 229 012
Provisions	13	505 208	466 000
		245 156 046	**183 010 419**
Non-Current Liabilities			
Long-term liabilities	12	1 269 359	1 417 051
Retirement benefit obligation	4	7 055 000	6 363 000
Provisions	13	26 382 817	24 715 810
		34 707 176	**32 495 861**
Non-Current Liabilities		34 707 176	32 495 861
Current Liabilities		245 156 046	183 010 419
Total Liabilities		**279 863 222**	**215 506 280**
Assets		975 900 779	1 016 305 287
Liabilities		(279 863 222)	(215 506 280)
Net Assets		**696 037 557**	**800 799 007**
Accumulated surplus		696 037 557	828 300 016

Statement of Financial Performance

	Note(s)	2016 R	2015 R
Revenue			
Revenue from exchange transactions			
Sale of goods		422 152	331 080
Service charges	17	103 860 415	88 983 196
Rental of facilities and equipment		974 083	343 347
Fees earned		3 785	39 088
Rental income		136 704	785 623
Sundry income		722 148	601 702
Interest received	19	9 636 481	5 285 195
Total revenue from exchange transactions		**115 755 768**	**96 369 231**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	13 952 421	17 406 637
Transfer revenue			
Government grants & subsidies	21	121 425 651	118 417 190
Fines, Penalties and Forfeits		124 534	119 950
Total revenue from non-exchange transactions		**135 502 606**	**135 943 777**
		115 755 768	96 369 231
		135 502 606	135 943 777
Total revenue	16	**251 258 374**	**232 313 008**
Expenditure			
Employee related costs	22	(96 717 959)	(90 555 135)
Remuneration of councillors	23	(3 854 539)	(3 795 445)
Administration	24	(2 122 552)	(193 596)
Depreciation and amortisation	25	(54 966 941)	(57 469 212)
Finance costs	26	(18 941 050)	(13 960 605)
Lease rentals on operating lease		(1 840 527)	(1 007 372)
Debt Impairment	27	(66 934 173)	(40 004 387)
Repairs and maintenance		(4 163 974)	(5 760 335)
Bulk purchases	28	(78 512 656)	(67 825 565)
Contracted services	29	(648 566)	(876 745)
General Expenses	30	(23 254 683)	(29 214 318)
Total expenditure		**(351 957 620)**	**(310 662 715)**
		-	-
Total revenue		251 258 374	232 313 008
Total expenditure		(351 957 620)	(310 662 715)
Operating surplus/deficit		-	-
Deficit before taxation		(100 699 246)	(78 349 707)
Taxation		-	-
Deficit for the year		**(100 699 246)**	**(78 349 707)**

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2014	**879 148 712**	**879 148 712**
Changes in net assets		
Centlec adjustments	27 501 011	27 501 011
Net income (losses) recognised directly in net assets	27 501 011	27 501 011
Surplus for the year	(78 349 707)	(78 349 707)
Total recognised income and expenses for the year	(50 848 696)	(50 848 696)
Total changes	(50 848 696)	(50 848 696)
Balance at 01 July 2015	**796 736 803**	**796 736 803**
Changes in net assets		
Surplus for the year	(100 699 246)	(100 699 246)
Total changes	(100 699 246)	(100 699 246)
Balance at 30 June 2016	**696 037 557**	**696 037 557**

Note(s)

Cash Flow Statement

	Note(s)	2016 R	2015 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		67 039 565	40 380 123
Grants		91 695 779	117 184 852
Interest income		9 636 481	5 285 195
Other receipts		-	1 819 905
		168 371 825	164 670 075
Payments			
Employee costs		(99 880 498)	(92 853 860)
Suppliers		(24 756 242)	(7 799 712)
Finance costs		(18 941 050)	(13 960 605)
		(143 577 790)	(114 614 177)
Total receipts		168 371 825	164 670 075
Total payments		(143 577 790)	(114 614 177)
Net cash flows from operating activities	32	**24 794 035**	**50 055 898**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(27 856 953)	(50 160 135)
Proceeds from sale of property, plant and equipment	3	1 055 587	-
Net cash flows from investing activities		**(26 801 366)**	**(50 160 135)**
Cash flows from financing activities			
Repayment of long-term liabilities		(179 930)	(212 167)
Repayment of current portion of long term borrowings		-	(291 456)
Net cash flows from financing activities		**(179 930)**	**(503 623)**
Net increase/(decrease) in cash and cash equivalents		**(2 187 261)**	**(607 860)**
Cash and cash equivalents at the beginning of the year		3 099 828	3 707 693
Cash and cash equivalents at the end of the year	10	**912 567**	**3 099 833**

Kopanong Local Municipality
Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	756 538	209 704	**966 242**	422 152	**(544 090)**	
Service charges	99 795 941	5 832 287	**105 628 228**	103 860 415	**(1 767 813)**	47
Rental of facilities and equipment	228 932	23 606	**252 538**	974 083	**721 545**	47
Fees earned	22 000	-	**22 000**	3 785	**(18 215)**	
Rental income	901 436	-	**901 436**	136 704	**(764 732)**	47
Sundry Income	8 435 118	(1 248 350)	**7 186 768**	722 148	**(6 464 620)**	47
Interest received - investment	5 208 739	3 419 279	**8 628 018**	9 636 481	**1 008 463**	47
Total revenue from exchange transactions	**115 348 704**	**8 236 526**	**123 585 230**	**115 755 768**	**(7 829 462)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	19 567 646	722 561	**20 290 207**	13 952 421	**(6 337 786)**	47
Transfer revenue						
Government grants & subsidies	79 429 745	4 069 255	**83 499 000**	121 425 651	**37 926 651**	47
Fines, Penalties and Forfeits	123 203	(43 203)	**80 000**	124 534	**44 534**	
Total revenue from non-exchange transactions	**99 120 594**	**4 748 613**	**103 869 207**	**135 502 606**	**31 633 399**	
'Total revenue from exchange transactions'	115 348 704	8 236 526	**123 585 230**	115 755 768	**(7 829 462)**	
'Total revenue from non-exchange transactions'	99 120 594	4 748 613	**103 869 207**	135 502 606	**31 633 399**	
Total revenue	**214 469 298**	**12 985 139**	**227 454 437**	**251 258 374**	**23 803 937**	
Expenditure						
Personnel	(80 993 654)	(3 767 209)	**(84 760 863)**	(96 717 959)	**(11 957 096)**	47
Remuneration of councillors	(4 500 000)	500 000	**(4 000 000)**	(3 854 539)	**145 461**	
Administration	(2 122 552)	-	**(2 122 552)**	(2 122 552)	**-**	
Depreciation and amortisation	(69 312 703)	(3 280 271)	**(72 592 974)**	(54 966 941)	**17 626 033**	47
Finance costs	(15 929 241)	(661 416)	**(16 590 657)**	(18 941 050)	**(2 350 393)**	47
Lease rentals on operating lease	(2 000 000)	200 000	**(1 800 000)**	(1 840 527)	**(40 527)**	
Bad debts written off	(26 335 036)	(12 670 004)	**(39 005 040)**	(66 934 173)	**(27 929 133)**	47
Repairs and maintenance	(8 534 777)	(94 000)	**(8 628 777)**	(4 163 974)	**4 464 803**	47
Bulk purchases	(69 098 649)	-	**(69 098 649)**	(78 512 656)	**(9 414 007)**	47
Contracted Services	(930 000)	-	**(930 000)**	(648 566)	**281 434**	
General Expenses	(28 412 344)	(1 282 200)	**(29 694 544)**	(23 254 683)	**6 439 861**	47
Total expenditure	**(308 168 956)**	**(21 055 100)**	**(329 224 056)**	**(351 957 620)**	**(22 733 564)**	
	(93 699 658)	(8 069 961)	**(101 769 619)**	(100 699 246)	**1 070 373**	
	-	-	**-**	-	**-**	
Deficit before taxation	**(93 699 658)**	**(8 069 961)**	**(101 769 619)**	**(100 699 246)**	**1 070 373**	
Surplus before taxation	(93 699 658)	(8 069 961)	**(101 769 619)**	(100 699 246)	**1 070 373**	
Taxation	-	-	**-**	-	**-**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(93 699 658)**	**(8 069 961)**	**(101 769 619)**	**(100 699 246)**	**1 070 373**	

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2016											
Financial Performance											
Property rates	19 567 646	722 561	20 290 207	-		20 290 207	13 952 421		(6 337 786)	69 %	71 %
Service charges	99 795 941	5 832 287	105 628 228	-		105 628 228	103 860 415		(1 767 813)	98 %	104 %
Investment revenue	5 208 739	3 419 279	8 628 018	-		8 628 018	9 636 481		1 008 463	112 %	185 %
Transfers recognised - operational	74 300 745	4 069 255	78 370 000	-		78 370 000	78 370 000		-	100 %	105 %
Other own revenue	10 467 227	(1 058 243)	9 408 984	-		9 408 984	2 383 406		(7 025 578)	25 %	23 %
Total revenue (excluding capital transfers and contributions)	**209 340 298**	**12 985 139**	**222 325 437**	**-**		**222 325 437**	**208 202 723**		**(14 122 714)**	**94 %**	**99 %**
Employee costs	(80 993 654)	(3 767 209)	(84 760 863)	-	-	(84 760 863)	(96 717 959)	11 957 096	(11 957 096)	114 %	119 %
Remuneration of councillors	(4 500 000)	500 000	(4 000 000)	-	-	(4 000 000)	(3 854 539)	-	145 461	96 %	86 %
Debt impairment	(26 335 036)	(12 670 004)	(39 005 040)			(39 005 040)	(66 934 173)	27 929 133	(27 929 133)	172 %	254 %
Depreciation and asset impairment	(69 312 703)	(3 280 271)	(72 592 974)			(72 592 974)	(54 966 941)	-	17 626 033	76 %	79 %
Finance charges	(15 929 241)	(661 416)	(16 590 657)	-	-	(16 590 657)	(18 941 050)	2 350 393	(2 350 393)	114 %	119 %
Materials and bulk purchases	(69 098 649)	-	(69 098 649)	-	-	(69 098 649)	(78 512 656)	9 414 007	(9 414 007)	114 %	114 %
Other expenditure	(41 999 673)	(1 176 200)	(43 175 873)	-	-	(43 175 873)	(32 030 302)	-	11 145 571	74 %	76 %
Total expenditure	**(308 168 956)**	**(21 055 100)**	**(329 224 056)**	**-**	**-**	**(329 224 056)**	**(351 957 620)**	**51 650 629**	**(22 733 564)**	**107 %**	**114 %**
Total revenue (excluding capital transfers and contributions)	209 340 298	12 985 139	222 325 437	-	-	222 325 437	208 202 723	-	(14 122 714)	94 %	99 %
Total expenditure	(308 168 956)	(21 055 100)	(329 224 056)	-	-	(329 224 056)	(351 957 620)	51 650 629	(22 733 564)	107 %	114 %
Surplus/(Deficit)	**(98 828 658)**	**(8 069 961)**	**(106 898 619)**	**-**		**(106 898 619)**	**(143 754 897)**		**(36 856 278)**	**134 %**	**145 %**

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	5 129 000	-	5 129 000	-		5 129 000	43 055 651		37 926 651	839 %	839 %
Surplus/(Deficit)	(98 828 658)	(8 069 961)	(106 898 619)	-	-	(106 898 619)	(143 754 897)	-	(36 856 278)	134 %	145 %
Capital transfers and contributions	5 129 000	-	5 129 000	-	-	5 129 000	43 055 651	-	37 926 651	839 %	839 %
Surplus (Deficit) after capital transfers and contributions	**(93 699 658)**	**(8 069 961)**	**(101 769 619)**	**-**		**(101 769 619)**	**(100 699 246)**		**1 070 373**	**99 %**	**107 %**
Surplus (Deficit) after capital transfers and contributions	(93 699 658)	(8 069 961)	(101 769 619)	-	-	(101 769 619)	(100 699 246)	-	1 070 373	99 %	107 %
Surplus/(Deficit) for the year	**(93 699 658)**	**(8 069 961)**	**(101 769 619)**	**-**		**(101 769 619)**	**(100 699 246)**		**1 070 373**	**99 %**	**107 %**
Capital expenditure and funds sources											
Sources of capital funds											
Finance and Administration	734 000	-	734 000	-		734 000	190 553		(543 447)	26 %	26 %
Sport and recreation	4 247 000	-	4 247 000	-		4 247 000	5 590 949		1 343 949	132 %	132 %
Waste water management	3 561 000	-	3 561 000	-		3 561 000	3 845 730		284 730	108 %	108 %
Waste Management	6 748 000	-	6 748 000	-		6 748 000	7 072 188		324 188	105 %	105 %
Roads and Transport	393 000	-	393 000	-		393 000	-		(393 000)	- %	- %
Water	23 012 000	-	23 012 000	-		23 012 000	8 600 612		(14 411 388)	37 %	37 %
Electricity	7 006 000	-	7 006 000	-		7 006 000	6 073 684		(932 316)	87 %	87 %
Total sources of capital funds	**45 701 000**	**-**	**45 701 000**	**-**		**45 701 000**	**31 373 716**		**(14 327 284)**	**69 %**	**69 %**

Appropriation Statement

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	R
2015				
Financial Performance				
Property rates				17 406 637
Service charges				88 983 196
Investment revenue				5 285 195
Transfers recognised - operational				82 502 000
Other own revenue				2 220 790
Total revenue (excluding capital transfers and contributions)				**196 397 818**
Employee costs	-	-	-	(90 555 135)
Remuneration of councillors	-	-	-	(3 795 445)
Debt impairment	-	-	-	(40 004 387)
Depreciation and amortisation	-	-	-	(57 469 212)
Finance charges	-	-	-	(13 960 605)
Materials and bulk purchases	-	-	-	(67 825 565)
Other expenditure	-	-	-	(37 052 366)
Total expenditure	**-**	**-**	**-**	**(310 662 715)**
Total revenue (excluding capital transfers and contributions)	-	-	-	196 397 818
Total expenditure	-	-	-	(310 662 715)
Surplus/(Deficit)				**(114 264 897)**
Transfers recognised - capital				35 915 190
Surplus/(Deficit)	-	-	-	(114 264 897)
Capital transfers and contributions	-	-	-	35 915 190
Surplus (Deficit) after capital transfers and contributions				**(78 349 707)**
Surplus (Deficit) after capital transfers and contributions	-	-	-	(78 349 707)
Surplus/(Deficit) for the year				**(78 349 707)**

Appropriation Statement

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	v
Capital expenditure and funds sources				
Sources of capital funds				
Executive and Council				-
Finance and Administration				600 000
Community and Social Services				3 076 000
Waste Management				14 288 000
Roads and Transport				1 721 000
Water				10 000 000
Electricity				995 000
Other				-
Total sources of capital funds				**30 680 000**
Cash flows				
Net cash from (used) operating				50 055 898
Net cash from (used) investing				(50 160 135)
Net cash from (used) financing				(503 623)
Net increase/(decrease) in cash and cash equivalents				**(607 860)**
Cash and cash equivalents at the beginning of the year				3 707 693
Net increase / (decrease) in cash and cash equivalents	-	-	-	(607 860)
Cash and cash equivalents at the beginning of the year	-	-	-	3 707 693
Cash and cash equivalents at year end				**3 099 833**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. An assessment of whether there is an indication of possible i mpairment is done at each reporting period date. Where the carrying amount pof an asset is greater than the estimated recoverable amount (or recoverable service amount), it is the written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the statement of financial performance. The municipality does not hold any assets with primary objective to generate a commercial return. Therefore, the municipality has asssessed all assets as being non cash generating and has assessed impairment based on GRAP 21 Impairment of non-cahs generating assets.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 4.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Accounting Policies

1.3 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item		**Average useful life**
Land	Straight line	None
Furniture and fixtures	Straight line	1-10 years
Motor vehicles	Straight line	7-10 years
Office equipment	Straight line	3-5 years
Computer software	Straight line	3-5 years
Electricity	Straight line	3-100 years
Roads	Straight line	5-100year
Water and sanitation	Straight line	10-100years
Landfill Sites	Straight line	25years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:
- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.5 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

1.5 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Accounting Policies

1.6 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

1.6 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

1.6 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.6 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.7 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Accounting Policies

1.8 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Subsequent to initial recogniton , the leased assets are accounted for in accordance with the state accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between finance cost and capital repayment using the effective interest rate method. The accounting policies relating to derecognition of financial instrument are applied to lease payables. The lease asset is depreciated over the shorter of the assets useful life or the lease term.
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce constant periodic rate on remaining balance of the liability.

Any contingent rents are expensed in the period which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.11 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.12 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

1.12 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.
Contingent assets and contingent liabilities are not recognised.
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument

Contingent assets and contingent liabilities are not recognised.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP ommmn Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

1.16 Revenue from non-exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Accounting Policies

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.24 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.25 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 2015-07-01 to 2016-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Notes to the Annual Financial Statements

	2016	2015
	R	R

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2015	The impact of the amendment is not material.
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2015	The impact of the amendment is not material.
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2015	The impact of the amendment is not material.
• GRAP 12 (as revised 2012): Inventories	01 April 2015	The impact of the amendment is not material.
• GRAP 13 (as revised 2012): Leases	01 April 2015	The impact of the amendment is not material.
• GRAP 16 (as revised 2012): Investment Property	01 April 2015	The impact of the amendment is not material.
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2015	The impact of the amendment is not material.
• GRAP 19(as revised 2012): Provisions, contingent Liabilities and Contingent Assets	01 April 2015	The impact of the amendment is not material.
• GRAP 21: Impairment of Non-cash-generating Assets	01 April 2015	The impact of the amendment is not material.
• GRAP 23: Revenue from Non-exchange Transitions (Taxes and transfers)	01 May 2015	The impact of the amendment is not material.
• GRAP 24: Presentation of Budget Information in Financial Statements	01 April 2015	The impact of the amendment is not material.
• GRAP 25: Employee benefits	01 April 2015	The impact of the amendment is not material.
• GRAP 26: Impairment of Cash-generating Assets	01 April 2015	The impact of the amendment is not material.
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2015	
• GRAP 18: Segment Reporting	01 April 2015	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2015	The impact of the amendment is not material.
• GRAP 16 (as amended 2015): Investment Property	01 April 2015	The impact of the amendment is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2015	The impact of the amendment is not material.
• GRAP 109: Accounting by Principals and Agents	01 April 2015	The impact of the amendment is not material.
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2015	The impact of the amendment is not material.
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2015	The impact of the amendment is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2015	The impact of the amendment is not material.
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2015	The impact of the amendment is not material.
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2015	The impact of the amendment is not material.
• GRAP 104: Financial Instruments	01 April 2015	The impact of the amendment is not material.
• IGRAP16: Intangible assets website costs	01 April 2015	The impact of the amendment is not material.
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2015	The impact of the amendment is not material.
• GRAP 105: Transfers of functions between entities under common control		The impact of the amendment is not material.
• GRAP 106: Transfers of functions between entities not under common control		The impact of the amendment is not material.
• GRAP 107: Mergers		The impact of the amendment is not material.
• GRAP 18: Segment Reporting		The impact of the amendment is not material.
• GRAP 4: The effects of changes in Foreign Exchange Rates (as revised in 2012)	01 April 2015	The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2015	The impact of the amendment is not material.
• GRAP 108: Statutory Receivables	01 April 2015	The impact of the amendment is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2015	The impact of the amendment is not material.

	2016 R	2015 R

3. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	67 532 098	-	67 532 098	67 532 098	-	67 532 098
Buildings	330 335 656	(159 962 994)	170 372 662	324 744 707	(152 158 926)	172 585 781
Infrastructure	1 595 843 455	(888 570 660)	707 272 795	1 573 768 003	(843 365 857)	730 402 146
Other property, plant and equipment	14 481 752	(9 732 848)	4 748 904	18 365 396	(10 793 387)	7 572 009
Total	**2 008 192 961**	**(1 058 266 502)**	**949 926 459**	**1 984 410 204**	**(1 006 318 170)**	**978 092 034**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Land	67 532 098	-	-	-	67 532 098
Buildings	172 585 781	5 590 949	-	(7 804 068)	170 372 662
Infrastructure	730 402 146	22 075 451	-	(45 204 802)	707 272 795
Other property, plant and equipment	7 572 009	190 553	(1 055 587)	(1 958 071)	4 748 904
	978 092 034	**27 856 953**	**(1 055 587)**	**(54 966 941)**	**949 926 459**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Land	67 532 098	-	-	-	67 532 098
Buildings	275 055 890	14 450 629	(109 219 525)	(7 701 213)	172 585 781
Infrastructure	709 440 344	68 553 300	-	(47 591 498)	730 402 146
Other property, plant and equipment	9 240 181	549 054	-	(2 217 226)	7 572 009
	1 061 268 513	**83 552 983**	**(109 219 525)**	**(57 509 937)**	**978 092 034**

Notes to the Annual Financial Statements

	2016 R	2015 R

4. Employee benefit obligations

Defined benefit plan

Defined benefit plan

The plan is a post-employment medical benefit plan.
The post employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.
Post-retirement medical aid plan

General description
The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death in service or death in retirement, the surviving dependants may continue membership of the medical scheme.

Post retirement benefit plan

The municipalitys accrued unfounded liability at the 30 june 2015 is estimated at R6 363 000. The current service cost for the year ending 30 June 2016 is estimated at R7 055 000.

Financial Assumptions		
Discount rate	8.25%	
CPI (consumer price inflation)	6.43%	
Net effective discount rat e	0.76%	
Medical Aid Contribution rate	7.43%	

The next salary increase was assumed to take place on 1 January 2016.

Demographic Assumptions		
Average retiremnent age	65	

The amounts recognised in the statement of financial position are as follows:

	2016 R	2015 R
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(6 363 000)	(6 458 000)
Net acturial gains or losses not recognised	(574 000)	217 000
Current servise cost not recognised	(53 000)	(49 000)
Interest cost	(563 000)	(558 000)
Benefits paid	498 000	485 000
	(7 055 000)	**(6 363 000)**

Changes in the present value of the defined benefit obligation are as follows:

5. Inventories

	2016 R	2015 R
Water	22 139	85 190
Game	8 000	10 000
Stationery	49 719	81 059
	79 858	**176 249**

Water Inventory: The tariff of treated water tariff is R5.97 per KL as approved by bloemwater (water board)

Notes to the Annual Financial Statements

	2016 R	2015 R

6. Other Receivables from exchange transactions

Other receivables	1 513 681	672 812
Leave debtors	-	4 948
Creditors with negative balances	35 125	42 952
	1 548 806	**720 712**

7. Receivables from non-exchange transactions

Less: Allowance Impairments	(17 145 399)	(15 902 609)
Consumer debtors - Rates	21 535 889	17 668 618
	4 390 490	**1 766 009**

8. VAT receivable

VAT	10 734 764	5 486 709

9. Receivables from exchange transactions

Gross balances		
Electricity	3 463 323	5 391 295
Water	64 063 807	43 522 791
Sewerage	34 976 711	26 449 708
Refuse	25 151 234	19 047 968
Housing rental	3 728 391	3 395 529
Sundry Debtors	1 677 008	1 703 482
	133 060 474	**99 510 773**
Less: Allowance for impairment		
Water	(62 283 226)	(30 106 469)
Sewerage	(34 392 425)	(22 829 408)
Refuse	(24 764 826)	(16 435 792)
Housing rental	(3 007 409)	(2 935 317)
Sundry Debtors	(304 753)	(240 041)
	(124 752 639)	**(72 547 027)**
Net balance		
Electricity	3 463 323	5 391 295
Water	1 780 581	13 416 322
Sewerage	584 286	3 620 300
Refuse	386 408	2 612 176
Housing rental	720 982	460 212
Sundry Debtors	1 372 255	1 463 441
	8 307 835	**26 963 746**
Included in above is receivables from exchange transactions		
Electricity	6 177 281	5 391 295
Water	64 249 447	43 522 791
Sewerage	34 976 711	26 449 708
Refuse	25 151 234	19 047 968
Sundry debtors	1 738 418	1 703 482
Housing rental	3 728 391	3 395 529
	136 021 482	**99 510 773**

Notes to the Annual Financial Statements

	2016 R	2015 R

9. Receivables from exchange transactions (continued)

	2016	2015
Net balance	**136 021 482**	**99 510 773**

	2016	2015
Ageing of Property Rates		
Unallocated receipts on service charges	2 324 093	1 179 311
31 - 60 days	722 815	815 577
61 - 90 days	557 969	277 072
91 - 120 days	17 931 012	15 396 657
Less: Allowance for impairments	(14 228 862)	(14 228 862)
	7 307 027	**3 439 755**

	2016	2015
Electricity		
31 - 60 days	1 651 480	3 392 248
61 - 90 days	530 650	420 504
91 - 120 days	650 781	124 555
121 - 365 days	630 412	1 453 988
	3 463 323	**5 391 295**

	2016	2015
Water		
Current (0 -30 days)	3 452 106	2 511 414
31 - 60 days	2 533 375	1 885 823
61 - 90 days	2 426 076	1 938 420
91 - 120 days	2 362 751	1 659 930
121 - 365 days	53 475 140	35 491 204
Less: Provisions for impairments	(20 603 720)	(30 106 469)
	43 645 728	**13 380 322**

	2016	2015
Sewerage		
Current (0 -30 days)	1 377 957	1 058 819
31 - 60 days	981 720	916 377
61 - 90 days	950 436	874 192
91 - 120 days	919 824	854 843
121 - 365 days	30 746 774	22 745 478
Less: Provisions for impairments	(34 392 425)	(22 829 409)
	584 286	**3 620 300**

	2016	2015
Refuse		
Current (0 -30 days)	901 031	762 517
31 - 60 days	709 414	659 784
61 - 90 days	687 097	631 615
91 - 120 days	666 733	621 713
121 - 365 days	22 186 959	16 372 340
Less: Provisions for impairments	(24 764 826)	(16 435 793)
	386 408	**2 612 176**

	2016	2015
Housing rental		
Current (0 -30 days)	48 572	43 530
31 - 60 days	41 411	30 560
61 - 90 days	38 818	30 247
91 - 120 days	39 088	29 859
121 - 365 days	3 560 471	3 261 332
Less: Provisions for impairments	(3 007 378)	(2 935 316)
	720 982	**460 212**

Notes to the Annual Financial Statements

	2016 R	2015 R

9. Receivables from exchange transactions (continued)

Sundry debtors included with trade receivable from exchange transactions

Sundry debtors	1 738 418	1 703 482
less: provision for bad debt impairment	(366 163)	(240 041)
	1 372 255	**1 463 441**

Notes to the Annual Financial Statements

	2016 R	2015 R

9. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

	2016 R	2015 R
Consumers		
Current (0 -30 days)	4 879 295	5 242 794
31 - 60 days	4 558 493	4 491 500
61 - 90 days	4 421 851	4 545 060
91 - 120 days	4 188 165	3 782 160
121 - 365 days	120 012 193	88 618 858
	138 059 997	106 680 372
Less: Allowance for impairment	(124 752 639)	(83 830 042)
	13 307 358	**22 850 330**

	2016 R	2015 R
Industrial/ commercial		
Current (0 -30 days)	115 909	259 599
31 - 60 days	100 366	1 827 083
61 - 90 days	98 729	436 581
91 - 120 days	94 664	240 937
121 - 365 days	2 299 670	2 826 905
	2 709 338	5 591 105
Less: Allowance for impairment	-	(2 928 124)
	2 709 338	**2 662 981**

	2016 R	2015 R
National and provincial government		
Current (0 -30 days)	9 141	16 192
31 - 60 days	9 367	1 399 322
61 - 90 days	9 579	34 923
91 - 120 days	9 737	14 122
121 - 365 days	359 693	344 390
	397 517	1 808 949
Less: Allowance for impairment	-	(358 512)
	397 517	**1 450 437**

	2016 R	2015 R
Total		
Current (0 -30 days)	5 004 345	5 518 584
31 - 60 days	4 668 226	7 717 905
61 - 90 days	4 431 430	5 016 563
91 - 120 days	4 292 566	4 037 220
121 - 365 days	122 671 556	91 790 154
	141 068 123	114 080 426
Less: Allowance for impairment	(64 678 036)	(87 116 680)
	76 390 087	**26 963 746**

	2016 R	2015 R
Less: Allowance for impairment		
Water	(62 283 226)	(30 106 469)
Sewerage	(34 392 425)	(22 829 408)
Refuse	(24 764 826)	(16 435 792)
Housing rental	(3 007 409)	(2 935 317)
Sundry Debtors	(304 753)	(240 041)
	(124 752 639)	**(72 547 027)**

	2016 R	2015 R

9. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(72 547 027)	(45 222 874)
Contributions to allowance	(66 934 173)	(34 240 317)
Debt impairment written off against allowance	14 728 561	6 916 164
	(124 752 639)	**(72 547 027)**

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	30 304	30 084
Bank balances	369 137	270 844
Short-term deposits	513 126	2 798 900
	912 567	**3 099 828**

Short term deposits

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Short term deposits		
62111778976	1 590	359 020
62422631821	2 235	1 014 652
62422629280	371	1 000
62422630005	1 910	1 860
74433523997	7 345	7 345
62422632423	415 233	1 257 344
62422630857	4 271	1 000
62422626806	957	101 400
74366785268	77 952	54 280
62366782003	1 261	1 000
	513 125	**2 798 901**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
FNB Business cheque account 6202 195 027	83 756	100 780	(439 567)	62 974	85 828	(469 909)
Standard bank business cheque account 04 191 730 8	60 779	15 944	17 908	60 779	15 944	17 908
ABSA Business cheque account 246 014 2140	10 130	11 746	24 735	10 130	11 746	24 735
Post Bank current account 00088133677	235 254	157 326	74 720	235 254	157 326	74 720
Total	**389 919**	**285 796**	**(322 204)**	**369 137**	**270 844**	**(352 546)**

Notes to the Annual Financial Statements

	2016 R	2015 R

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure grant	1 060 978	1 763 071
Municipal systers improvement grant	-	57 255
DWA National Transfers programme	3 492 847	3 492 847
Bulk water DWA	(2 146 307)	(393 545)
Water operating Grant-DWA	1 309 384	1 309 384
	3 716 902	**6 229 012**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

12. Other financial liabilities

At amortised cost		
Mangaung 3	69 896	77 663
Road and public area lighting projects		
Mangaung 4	1	1
Replacement of domestic/commercial meters		
Mangaung 5	132 891	145 343
Upgrading low voltage network		
Mangaung 6	122 431	137 735
Kopanong ext. upgrade and improvement of low voltage network		
Mangaung 7	144 803	162 903
Kopanong electrification		
Mangaung 8	261 364	305 236
Kopanong High mast lighting		
Mangaung 9	192 130	216 146
Kopanong high mast lights		
Mangaung 12	525 771	584 190
Improvement of low voltage network		
	1 449 287	**1 629 217**
Total other financial liabilities	**1 449 287**	**1 629 217**
Non-current liabilities		
At amortised cost	1 269 359	1 417 051
Current liabilities		
At amortised cost	179 928	212 166

Notes to the Annual Financial Statements

	2016 R	2015 R

13. Non-Current Provisions

Reconciliation of non-current provisions - 2016

	Opening Balance	Additions	Total
Rehabilitation of lanfills sites	18 815 811	1 201 011	20 016 822
Provisions for long service bonus	6 365 999	505 204	6 871 203
	25 181 810	**1 706 215**	**26 888 025**

Reconciliation of non-current provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of lanfills sites	12 692 655	6 123 156	-	18 815 811
Provisions for long service bonus	5 736 000	164 000	465 999	6 365 999
	18 428 655	**6 287 156**	**465 999**	**25 181 810**

	2016 R	2015 R
Non-current liabilities	26 382 817	24 715 810
Current liabilities	505 208	466 000
	26 888 025	**25 181 810**

	2016 R	2015 R

13. Non-Current Provisions (continued)

Reconciliation of accrued liability Notes
(i) These projections assume that the Municipality's health care arrangements and subsidy policy will remain as outlined in Section 3, and that all the actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the Municipality towards prefunding its liability via an off balance sheet vehicle.
(ii)Contributions or benefits paid refer to medical scheme contributions made by the Municipality with respect to its subsidy of current continuation members.

Financial Assumptions .

Discount rate	8.80%
CPI (consumer price inflation)	7%
Net effective discount rate	0.74%
Normal salary increase rate	8%

Discount Rate: GRAP 25 defines the determination of the Discount rate assumption to be used as follows:
The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Normal salary inflation rate: We have derived the underlying future rate of consumer price index (CPI Inflation) from the relationship between the (yeild curve based) inflation linked bond rate for each relevant time period. our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. the salaries used in the valuation include an assumed increase on 01 july 2017 of the 6.79%. As at the time previous year's year rate of 6.79% is still relevantin this year's valuation.
the next salary increase was assumed to take place on 1 january 2017.

Demographic Assumptions	
Average retirement age	65
New members joining since previous valuation	xx
Employees leaving service since the previous valuation	xxx
Mortality during employment	SA 85-90

Withdrawal from service (sample annual rates)

Age band	**Females**	**Males**
20-24	24%	16%
25-29	18%	12%
30-34	15%	10%
35-39	10%	8%
40-44	6%	6%
45-49	4%	4%
50-54	2%	2%
55-59	1%	1%
60	0%	0%

Demographic assumptions are required to estimate the changing profile of current employees who are eligible for long service leave award benefits. Pre-retirement Mortality: SA85?90 ultimate table, adjusted for female lives.Withdrawal from Service: If an in-service member leaves, the employer's liability in respect of that member ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below. Average Retirement Age: The normal retirement age of employees is 65. It has been assumed that in?service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

Environmental rehabilitation provision

The rehabilitation requirement as per the minimum Requirement for waste disposal by landfill (DWAF, 1998) creates an oligation for the municipality for future expenditure which is provided for.
The provision was determined by an independant expert for the rehabilitation cost in 2016 and then approximated the expected future cash flows using reasonable estimation techninques. The discount rate for all the all the landfill sites is based on a CPA rate that matures as close as posiible to the future date of the rehabilitation, the rate is 9.95% for the circumstances.

Notes to the Annual Financial Statements

	2016 R	2015 R

14. Trade and Other Payables from exchange transactions

Trade payables	218 148 477	157 626 198
Payments received in advance	9 568 937	5 835 250
Unallocated Deposits	401 136	121 082
Accrued leave pay	7 342 402	7 276 572
Accrued bonus	2 175 789	2 165 073
Deposits received	14 665	14 665
	237 651 406	**173 038 840**

15. Consumer deposits

Water and electricity	3 102 602	3 064 401

16. Revenue

Sale of goods	422 152	331 080
Service charges	103 860 415	88 983 196
Rental of facilities and equipment	974 083	343 347
Fees earned	3 785	39 088
Rental income	136 704	785 623
Sundry income	722 148	601 702
Interest received - investment	9 636 481	5 285 195
Property rates	13 952 421	17 406 637
Government grants & subsidies	121 425 651	118 417 190
Fines, Penalties and Forfeits	124 534	119 950
	251 258 374	**232 313 008**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	422 152	331 080
Service charges	103 860 415	88 983 196
Rental of facilities and equipment	974 083	343 347
Fees earned	3 785	39 088
Rental income	136 704	785 623
Sundry Income	722 148	601 702
Interest received - investment	9 636 481	5 285 195
	115 755 768	**96 369 231**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	13 952 421	17 406 637
Transfer revenue		
Government grants & subsidies	121 425 651	118 417 190
Fines, Penalties and Forfeits	124 534	119 950
	135 502 606	**135 943 777**

17. Service charges

Sale of electricity	54 678 682	48 917 275
Sale of water	29 944 130	22 910 760
Sewerage and sanitation charges	11 206 791	9 867 511
Refuse removal	8 030 812	7 287 650
	103 860 415	**88 983 196**

Notes to the Annual Financial Statements

	2016 R	2015 R

18. Other revenue

Fees earned	3 785	39 088
Rental income - third party	136 704	785 623
Sundry Income	722 148	601 702
	862 637	**1 426 413**

19. Investment revenue

Interest revenue		
Bank	730 346	571 748
Interest received - other	8 906 135	4 713 447
	9 636 481	**5 285 195**
	-	-
	9 636 481	5 285 195

20. Property rates

Rates received

Residential	11 905 001	12 392 029
Commercial	2 839 560	3 926 256
State	13 627 252	11 013 341
Small holdings and farms	9 090 012	4 182 304
Less: Income forgone	(23 509 404)	(14 107 293)
	13 952 421	**17 406 637**

Valuations

Church	48 074 000	48 074 000
Commercial	202 432 750	202 432 750
Empty site, no tariff and municipal property	317 002 529	317 002 529
Hospital	6 800 000	6 800 000
Residential	822 484 570	822 484 570
School	87 709 000	87 709 000
Small holdings and farms	8 563 296 270	8 563 296 270
Govermenrt	189 051 100	189 051 100
Less: Income forgone	(6 307 420)	(6 307 420)
	0 230 542 799	**0 230 542 799**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Notes to the Annual Financial Statements

	2016 R	2015 R

21. Government grants and subsidies

Operating grants		
Equitable share	78 370 000	82 502 000
Capital grants		
Government grant	43 055 651	35 915 190
	78 370 000	82 502 000
	43 055 651	35 915 190
	121 425 651	**118 417 190**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure grant

Balance unspent at beginning of year	1 763 071	-
Current-year receipts	21 054 093	23 580 000
Conditions met - transferred to revenue	(21 756 186)	(21 816 929)
	1 060 978	**1 763 071**

Conditions still to be met - remain liabilities (see note 11).

Municipal systems Improvement

Balance unspent at beginning of year	57 255	-
Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(987 255)	(876 745)
	-	**57 255**

Conditions still to be met - remain liabilities (see note 11).

DWA National Transfers programme

Balance unspent at beginning of year	3 492 847	1 163 355
Current-year receipts	-	2 712 000
Conditions met - transferred to revenue	-	(382 508)
	3 492 847	**3 492 847**

Conditions still to be met - remain liabilities (see note 11).

Expanded Public Works programme

Current-year receipts	1 363 000	1 225 000
Conditions met - transferred to revenue	(1 363 000)	(1 225 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

Arts and Craft grant (Dept. of Sports and Culture)

Balance unspent at beginning of year	-	500 000
Grant written off by council	-	(500 000)
	-	**-**

Notes to the Annual Financial Statements

	2016 R	2015 R

21. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 11).

Bulk water DWA

Balance unspent at beginning of year	(393 545)	321 057
Current-year receipts	5 960 752	4 098 860
Conditions met - transferred to revenue	(7 713 514)	(4 813 462)
	(2 146 307)	**(393 545)**

Conditions still to be met - remain liabilities (see note 11).

Water operating grant

Balance unspent at beginning of year	1 309 384	2 602 000
Conditions met - transferred to revenue	-	(1 292 616)
	1 309 384	**1 309 384**

Conditions still to be met - remain liabilities (see note 11).

Sport facilities grant (National Lottery)

Balance unspent at beginning of year	-	301 981
Grant written off by council	-	(301 981)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

Commmonage Grant (DBSA)

Balance unspent at beginning of year	-	26 171
Conditional still to be met-remain liabolities	-	(26 171)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

Financial management grant

Conditions met - transferred to revenue	1 600 000	1 600 000
Condition still to be met- remain liabilities	(1 600 000)	(1 600 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

Notes to the Annual Financial Statements

	2016 R	2015 R

22. Employee related costs

Basic	63 489 291	59 468 913
Bonus	5 414 230	6 138 571
UIF	598 746	566 817
SDL	807 848	726 928
Overtime payments	1 699 584	1 578 310
Long-service awards	-	231 720
Car allowance	4 707 621	3 959 032
Housing benefits and allowances	210 767	130 409
Holiday Bonus	10 716	121 175
Industrial Council Contributions	39 904	39 100
Medical Aid Contribultions	6 297 516	6 207 909
Pension Fund Contributions	11 564 048	10 622 943
Cellphone Allowance	596 507	257 850
Other Allowance	1 281 181	505 458
	96 717 959	**90 555 135**

Remuneration of municipal manager

Basic	748 941	717 186
Bonus	62 412	59 766
Travel Allowance	180 000	246 932
Backpay	36 464	28 431
Contributions to UIF, Medical and provident fund	204 566	75 236
	1 232 383	**1 127 551**

Remuneration of chief finance officer

Basic	625 668	532 222
Bonus	52 139	48 403
Backpay	29 627	23 947
Travel Allowance	96 000	73 000
Cell phone allawance	21 600	14 400
Contributions to UIF, Medical and Pension Funds	176 293	114 025
	1 001 327	**805 997**

Remuneration of Head of Technical Services

Basic	629 260	570 741
Bonus	55 536	47 562
Back pay	28 488	18 637
Travel allowance	120 000	120 000
Contributions to UIF, Medical and provident	132 631	80 355
	965 915	**837 295**

Remuneration of Head of Corporate services

Basic	666 437	604 258
Bonus	55 536	50 664
Back pay	28 488	18 580
Travel Allowance	72 000	72 000
Cell Phone allowance	-	1 773
Contributions to UIF, Medical and provident	140 357	105 638
	962 818	**852 913**

Notes to the Annual Financial Statements

	2016 R	2015 R

22. Employee related costs (continued)

Remuneration of Head of Community services

Basic	543 377	499 728
Bonus	45 281	41 644
Back pay	28 488	20 067
Travel allowance	180 000	180 000
Cell phone allowance	12 000	12 000
Contributions to UIF, Medical and Pension Funds	153 673	84 294
	962 819	**837 733**

23. Remuneration of councillors

Mayor, speaker and Councillors	3 854 539	3 795 445

24. Administrative expenditure

Administration and management fees - third party	2 122 552	193 596

25. Depreciation and amortisation

Property, plant and equipment	54 966 941	57 469 212

26. Finance costs

Non-current borrowings	(17 007)	396 305
Other interest paid	18 958 057	13 564 300
	18 941 050	**13 960 605**

27. Debt impairment

Contributions to debt impairment provision	66 934 173	40 004 387

28. Bulk purchases

Electricity	46 385 805	38 540 392
Water	32 126 851	29 285 173
	78 512 656	**67 825 565**

29. Contracted services

Other Contractors	648 566	876 745

Notes to the Annual Financial Statements

	2016 R	2015 R

30. General expenses

Accounting fees	224 123	7 675
Advertising	102 551	115 370
Auditors remuneration	3 274 382	3 460 399
Bank charges	338 966	331 119
Cleaning	28 322	68 451
Commission paid	91 146	191 987
Consulting and professional fees	510 567	1 597 208
Acturial loss	2 657 565	10 686 079
Entertainment	42 335	147 797
Insurance	500 044	361 497
Community development and training	18 667	38 100
Conferences and seminars	366 119	288 337
Medical expenses	5 725	7 182
Fuel and oil	1 618 084	1 653 692
Postage and stamps	3 757	2 280
Printing and stationery	494 490	647 657
Protective clothing	98 210	229 412
Royalties and license fees	107 089	114 732
Software expenses	677 622	1 053 484
Subscriptions and membership fees	574 778	919 629
Telephone and fax	1 226 683	1 205 359
Training	806 090	308 736
Subsistence and Travelling	1 654 240	2 072 225
Assets write off	1 055 587	-
Departmental Electricity	5 132 143	739 582
Valuation cost and unbundling of assets	923 537	2 316 865
Farming Land	49	1 584
Performance Management System	38 240	199 191
Ward Committees	298 200	308 939
Other expenses	385 372	139 750
	23 254 683	**29 214 318**

31. Auditors' remuneration

Fees	3 274 382	3 460 399

32. Net cash flow from operating activities

Deficit	(100 699 246)	(80 514 644)
Adjustments for:		
Depreciation and amortisation	54 966 941	72 139 238
Fair value adjustments	-	(27 000)
Debt impairment	66 934 173	40 004 387
Movements in retirement benefit assets and liabilities	692 000	-
Movements in provisions	1 706 215	(4 589 924)
Adjustment to employee benefits obligations	-	657 001
Changes in working capital:		
Inventories	96 391	14 223
Other Receivables from exchange transactions	(828 094)	(389 336)
Consumer debtors	(54 964 944)	(13 635 710)
Trade and Other Payables from exchange transactions	64 612 563	37 620 817
VAT	(5 248 055)	(832 849)
Unspent conditional grants and receipts	(2 512 110)	(1 022 328)
Consumer deposits	38 201	632 023
	24 794 035	**50 055 898**

Notes to the Annual Financial Statements

	2016 R	2015 R

33. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At amortised cost	Total
Receivables from exchange of Transactions	-	-
Electricity	3 463 323	3 463 323
Water	1 780 581	1 780 581
Sewerage	584 286	584 286
Refuse	386 408	386 408
Sundry	720 982	720 982
Housing rental	1 372 255	1 372 255
Other receivables from non-exchange transactions	4 390 490	4 390 490
VAT Receivable	10 734 764	10 734 764
Cash and cash equivalents	912 567	912 567
	24 345 656	**24 345 656**

Financial liabilities

	At amortised cost	Total
Long term liabilities	1 269 359	1 269 359
Retirement benefit obligation	7 055 000	7 055 000
Unspent conditional grants	3 716 902	3 716 902
Consumer deposits	3 102 602	3 102 602
Trade and other payables from exchange transactions	237 651 406	237 651 406
non current provision	26 383 821	26 383 821
	279 179 090	**279 179 090**

2015

Financial assets

	At amortised cost	Total
Receivables from exchange Transactions	-	-
Electricity	5 391 295	5 391 295
Housing	460 212	460 212
Refuse	1 463 442	1 463 442
Sewerage	2 612 177	2 612 177
Water	3 620 300	3 620 300
Sundry debtors	13 416 323	13 416 323
VAT receivables	5 276 700	5 276 700
Other receivables from exchange transactions	529 616	529 616
Receivables from Non-exchange Transactions	-	-
Rates Debtors	3 439 756	3 439 756
Unpaid Conditional Grants	-	-
Cash and Cash equivalents	-	-
Notice Deposit	2 798 900	2 798 900
Bank balances	270 844	270 844
Cash Floats and Advances	30 084	30 084
	39 309 649	**39 309 649**

Notes to the Annual Financial Statements

	2016 R	2015 R

. **Financial instruments disclosure (continued)**

Financial liabilities

	At amortised cost	Total
Long-term Liabilities	-	-
Loan-term Borrowings	1 417 051	1 417 051
Retirement benefit obligation	6 363 000	6 363 000
Non-current provisions	14 002 731	14 002 731
Payables	-	-
Trade and other payables from exchange transactions	159 213 585	159 213 585
Payments received in advance	7 975 443	7 975 443
Unallocated deposits	121 082	121 082
Annual bonus Provisions	2 165 063	2 165 063
Consumer Deposits	3 064 401	3 064 401
Current Portion of long-term Liabilities	-	-
Current portion of long term borrowings	212 166	212 166
Current portion of Unspent conditional grants	6 229 012	6 229 012
Current portion of provisions	466 000	466 000
	201 229 534	**201 229 534**

Notes to the Annual Financial Statements

	2016 R	2015 R

34. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	19 059 773	22 355 392

Total capital commitments		
Already contracted for but not provided for	19 059 773	22 355 392

Operating leases - as lessee (expense)

Rental of offices/ Xhariep Diststrict		
- within one year	-	537 040

Kopanong Local Municipality entered into a lease contract with Xhariep District Municipality for rental of office builing. Operating lease agreement is for a period of 3 years. Rent payment on Straight lines basis. Rent escalates by 15% per year, operating lease ends 31 July 2016.

PMU Building	Column heading	Column heading	Column heading	Total	Total
- within one year	-	-	-	19 200	19 200

Operating lease agreement is for a period of 3year. Rent payment on Straight Line baises. Rent escalates by 10% per year, operating lease period ends 31 August 2017.

Operating leases - Printers

Printers		
- within one year	342 445	-
- in second to fifth year inclusive	256 834	-
	599 279	**-**

Kopanong Local Municipality entered into a lease agreement with Aenti 220 (Pty) for rental of printers. Operating lease agreement is for a period of 3year. Rent payment on Straight Line baises. Rent escalates by 15% per year, operating lease period ends 30 June 2016

35. Contingencies

Litigation is in the process against the municipality relating to a dispute and artribution with former employees who alleges that the municipality unlawfully dismissed. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. However, it cannot be determined at this time when the disputes will be resolved or exactly how much the claims and damages the municipality will require to make as it is not practical to do so. The estimated legal costs amount to R 540 000. The settlement amounting to R457 084.57 is still to be settled by the municipality. There is currently no posisibility of reimbursement.

Litigations (name of entity / subsidiary)		
Samwu National Provident Fund	1 400 000	-
M. Masopa & 8 other	60 000	-
TS Construction	1 000 000	-
N. Haya	60 000	-
TS Mantshiyane	120 000	-
	2 640 000	**-**

Notes to the Annual Financial Statements

	2016 R	2015 R

36. Related parties

Relationships
Close family member of key management Name

Related party balances

	2016	2015
the following awards were made to a supplier who is related to the an person(Councillor) employed by Kopanong Municipality		
FN Stuurman-Transport	-	31 000
FN Stuurman-Phumelela Guest house	-	27 000

37. Prior period errors

The following errors occurred in relation to prior financial year which necessitated correction in the current financial year. the errors were corrected retrospectively in terms of GRAP 3: Accounting policies in accounting Estimates and Errors.

Payment in advance

Rates: corrections made by the municipality for the financial year 2009/10 was incorrect and caused the cosumers accounts to go into credit.
Water: In some cases the systrm wrote back the interims while there was a zero reading
Refuse & Sewer: In some cases indigents recieved subsidies but there were no levies.

Payment in advance	Total
Trade and other Payables-payment in advance	2 140 193
Water	(700 967)
Sanitation/Sewerage	(66 053)
Refuse	(65 467)
Rates	(1 296 163)
Sundry Income	(11 543)
	-

Water Levies

Consumers with no water readings during the 2014/15 financial year were investigated and 20kl of water per month was levied in 2015

Water Levies	Total
Statement of financial position	-
Water Debtors	4 232 372
Statement of Financial Performance	(4 232 372)
Water 2	-
	-

None Implementation of upperlimits for councillors

during the 2012/13 financial year the councillor grading as per upper limit circular decreased from level 3 to 2. Kopanong local municipality did not implement the correct grading. as a result councillors were over paid

37. Prior period errors (continued)

Councillors	Total
Statement of fianncial position	-
Increase in other receivables from exchange transations - councillors	100 925
Statement of finacial performance	-
Decrease salaries creditors	(100 925)
	-

Property plant and equipment

Due to changes in valuations of the property pland and equipment the following adjustement to the prior year were effected.Valuation of the buildings and other assets.

Property plan and equipment	Total
Statement of finacial position	-
Decrease in property plant and equipment	95 706 369
Decrease in accumulated depriciation	(24 058 496)
Statement of fiancial performance	-
Decrease in depriciation	(14 322 628)
	57 325 245

Provision for landfill sites assessment

During the compalition of the fiancial statements is was noted that the rate usesd in calculations for landfills provisions was too low. It was therefore increased retrospectively for the prior year

Landfills provisions	**Total**
Statement of Financial Position	-
Decrease in non current provisions	10 713 079
Increase in acturial loss	10 713 079
	21 426 158

38. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

38. Risk management (continued)

Market risk

39. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had accumulated deficits of R 696 037 557 and that the municipality's total liabilities exceed its assets by R 696 037 557.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors.

The Municipality is still negotiating with the suppliers in terms of the outstanding payments by arranging payments terms and dates.

Strict measures have been put in place to implement credit control policy to the people who can afford to pay the Municipality. These people are visited after hours and make payments arrangements.

The Schools have been handed over to the debt collecting Attorneys to make payments or arrangements. Some of these Schools have already started to pay their accounts.

A list of businesses which are owing the Municipality has been handed over to the Debt Collecting Attorneys to come and pay or make payments arrangements.

A list for people who are working for Government Institutions was compiled and submitted to the Provincial Treasury to assist locate where they are working and these officials were visited and payments arrangements were made with them.

Revenue Enhancement Strategy was developed and tabled to the Council for approval to address low revenue collection.

A water management system has been implemented to correct inaccurate water readings and has led to the billing to increase as compared to the previous financial years where not all water meters were not read.

Technical department has developed business plans for Five (5) Towns and submitted them to COGTA to provide the financial assistance through the Municipal Infrastructure Grant to address the high percentage of water losses to reduce the high water bill from Bloemwater and also for the effective implementation of Credit Control Policy to cut water for the people who are not paying their accounts.

Water restriction programme has been implemented to reduce the high volume of usage and water loss. Bloemwater has also been engaged not to fill up the Reservoir to the bream avoid water overflows but to refill the Resevoirs up to atleast 80% to reduce water accounts.

Water awareness campaigns will also be made to all KLM Towns.

Flat water rate charge of 10 kl per month has been implemented to areas where there are no water meters or broken water meters.

Flat water rate charge of R 50,00 for the people who are not using the Municipal water will be implemented as the report has been tabled to Council for approval.

A lists for all Towns of people who are not paying accounts are prepared and will be submitted to Centlec to deduct 50% from every electricity purchases to address the arrear debts or cut electricity to enforce people to come and pay or make payments arrangements for their accounts.

Workshops have been conducted to all the Towns of KLM to come and register as Indigents for those that who are not working or receive little income.

Reports will be also be prepared to monitor and follow up on all payments arrangements made and not honoured to cut electricity to enforce payment.

39. Going concern (continued)

40. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

41. Unauthorised expenditure

Opening balalnce	242 303 370	185 968 315
Budget overspending	51 650 629	56 334 055
	293 953 999	**242 302 370**

Liability has not been determined. Council appointed a committee to investigate and report back to council before the amount can be recovered or condoned.

No criminal or disciplinary steps were taken as a consequence of the above expenditure.

42. Fruitless and wasteful expenditure

Opening balance	51 707 993	40 182 670
Fruitless and wasteful expenditure current year	19 155 122	11 525 323
	70 863 115	**51 707 993**

Incidents of fruitless & Wasteful expenditue	Amount	Total
Fines and penalties (SARS)	562 377	562 377
Interest on late accounts	18 441 441	18 441 441
Legal cost	151 304	151 304
	19 155 122	**19 155 122**

Disciplinar Steps / Criminal proceedings
No criminal or disciplinary steps were taken as a consequence of above expenditure. Liabilities have not yet been determined. Council Committee (section 32) is in place to investigate and report back to council before the amount can be recovered or condoned.

43. Irregular expenditure

Opening balance	213 962 479	201 084 239
Add: Irregular Expenditure - current year	8 166 742	12 878 240
	222 129 221	**213 962 479**

Details of irregular expenditure – current year

Bid adjudication committee was not composed of a minimum of 4 directors in accordance to the SCM regulation 29.	3 739 088
Award was made to bidder who did not score the highest points	43 860
Supply Chain processes were not followed in full	4 383 794
	8 166 742

Notes to the Annual Financial Statements

Figures in Rand

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	55 660	867 422
Current year subscription / fee	1 364 982	77 660
Amount paid - previous years	-	(889 422)
	1 420 642	**55 660**

Audit fees

Opening balance	2 371 017	1 722 389
Current year subscription / fee	3 895 951	4 006 563
Amount paid - current year	(2 984 595)	(3 357 935)
	3 282 373	**2 371 017**

PAYE and UIF

Opening balance	7 404 653	670 342
Current year payroll deduction	11 205 646	9 758 422
Penalties and interest	552 117	989 623
Amount paid - previous years	(13 929 879)	(4 013 734)
	5 232 537	**7 404 653**

Pension and Medical Aid Deductions

Opening balance	17 669 758	11 430 690
Current year subscription / fee	27 632 645	25 715 540
Amount paid - current year	(4 830 806)	1 690 395
Amount paid - previous years	(10 814 265)	(21 166 867)
	29 657 332	**17 669 758**

VAT

VAT receivable	10 734 764	5 486 709

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

44. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor NC Spogter	367	-	367
Councillor HM Hageman	5 343	-	5 343
Councillor SA Sola	1 381	1 145	2 526
Councillor TX Matwa	1 216	6 222	7 438
Councillor KE Dlomo	254	-	254
Councillor ME Masana	676	-	676
Councillor PD Basholo	161	-	161
Councillor MD Matseo	319	-	319
Councillor TJ Koyana	392	-	392
Councillor TA Phafudi	159	-	159
Councillor D Phepheng	919	-	919
Councillor B Smith	3 846	-	3 846
Councillor LA Rigala	345	8	353
Councillor H Shebe	493	-	493
Councillor NJ Stuurman	3 097	7 786	10 883
	18 968	**15 161**	**34 129**

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor TX Matwa	417	6 525	6 942
Councillor TJ Koyana	238	-	238
Councillor ME Masana	246	50	296
Councillor FN Stuurman	1 364	1 826	3 190
Councillor SA Sola	87	1 815	1 902
	2 352	**10 216**	**12 568**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

45. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Incidents	Total
Not all suppliers responded to our request for quotations	68 573
SA Post Office is the only provider of self seal envelopes	140 140
Strip and Quote transaction	144 694
Emergency procurement	12 216
	365 623

Notes to the Annual Financial Statements

Figures in Rand

46. Distribution losses

Distribution losses	Column heading	Column heading	Column heading	Column heading	Total
48.1 Distribution losses (Water)	-	-	-	-	-
Number of users	-	-	-	12 695	12 695
Units bought	-	-	-	5 233 453	5 233 453
Units sold	-	-	-	2 350 076	2 350 076
Free basic service (Only Indigents)	-	-	-	155 508	155 508
Units lost on distribution	-	-	-	2 727 869	2 727 869
Units lost in distribution as percentage	-	-	-	52	52
48.2 Distribution losses (Electricity)	-	-	-	-	-
Purchased Units	-	-	-	44 942 347	44 942 347
Prepaid Sale	-	-	-	21 652 912	21 652 912
Venus Sales	-	-	-	14 077 528	14 077 528
kWh Losses	-	-	-	9 181 907	9 181 907
Avg C/kWh	-	-	-	1	1
	-	**-**	**-**	**-**	**-**

47. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

Employee Cost

The overspending on employee related cost is due to new appointments and social contributions.

Debt Impairment

The payment rate is low due to the high unemployment rate currently we have an unemployment rate of 60% in the Xhariep District.

Finance Charges

Due to the low payment rate of consumers the Municipality is not able to pay all of its creditors and the interest is increasing monthly.

Bulk Purchases

Currently the municipal water losses are at 52% the high water losses are causing our bulk purchase to overspend. Additional text

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages to in the annual report.

The changes between the approved and final budget are a consequence of .... For details on these changes please refer to pages to in the annual report